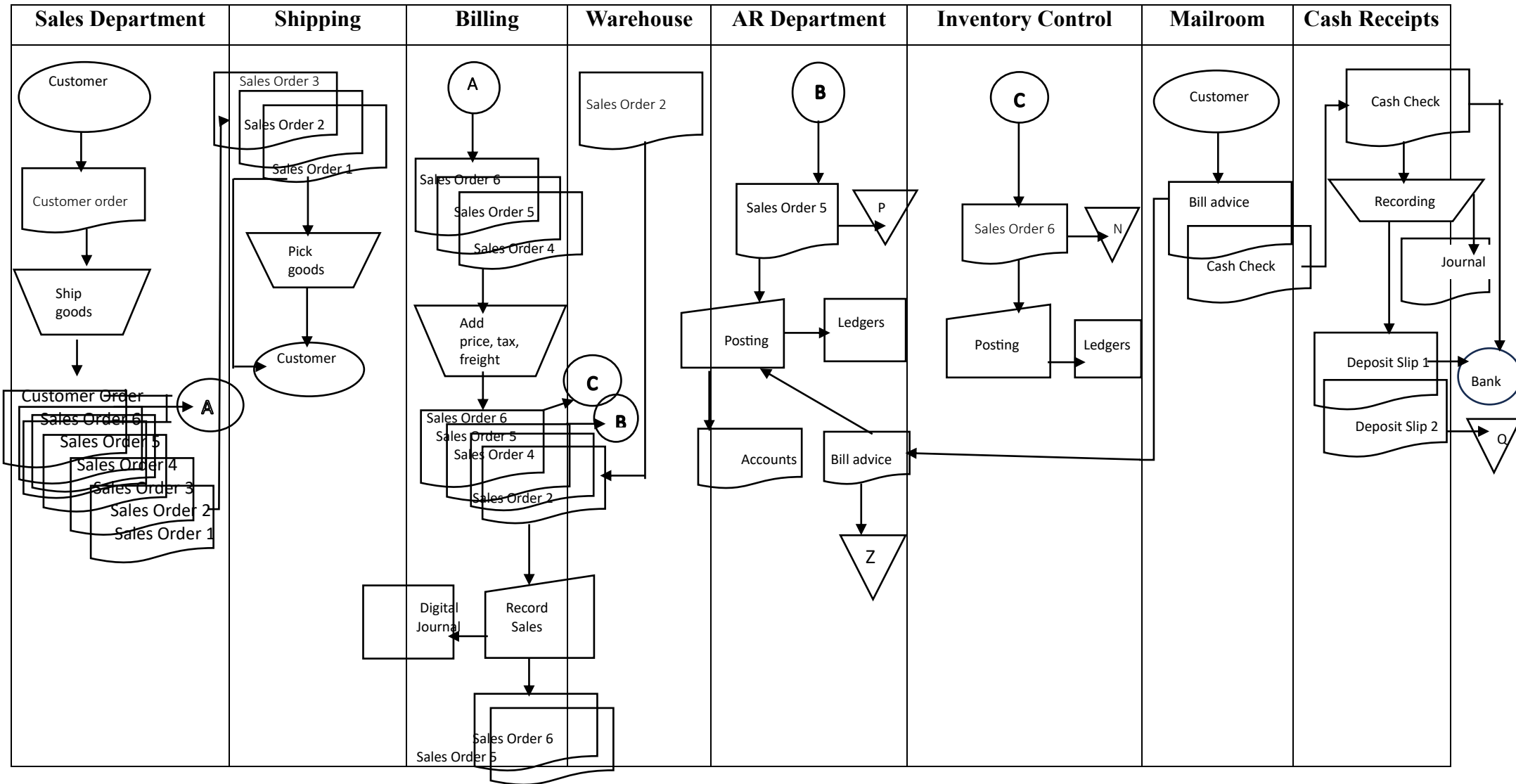


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Project #2: Process Flowcharting

System Flowchart of the Revenue Cycle of Retail Business (Manual and Computer Processes)



Notes to Flowchart:

1. Retail business departmental breakdown:

The retail business illustrated has eight (8) major departments. The functions of the departments are but not limited to:

Sales: Acquiring and management of customers

Shipping: Processing customers orders and delivery

Billing: Preparing customer's total bill and communicating same to the sales department on a timely manner

Warehouse: Making customer's orders available per request from the billing department

Account Receivable (AR): Management of customer accounts to the organization

Inventory Control: Management of all inventories by quantity, quality and type

Mail Room: Delivery and receipt of customer's bill advice and bill of exchanges

Cash Receipts: Processing of bill advice and bill of exchanges received by the mail room

2. The flowchart narration:

The sales department clerk receives hard-copy customer orders and manually prepares a six-part hard-copy sales order. Copies of the sales order are distributed to various departments as follows: Copies 1, 2, and 3 go to the shipping department, and Copies 4, 5, 6 are sent to the billing department where they are temporarily filed by the billing clerk. 2.

The check goes to the cash receipts clerk, who manually records it in the hard-copy cash receipts journal and prepares two deposit slips. One deposit slip and the check are sent to the bank; the other deposit slip is filed in the cash receipts department.

The remittance advice is sent to the AR clerk, who posts to the digital subsidiary accounts and then files the document.

Upon receipt of the sales order copies, the shipping clerk picks the goods from the warehouse shelves and ships them to the customer. The clerk sends Copy 1 of the sales order along with the goods to the customer. Copy 2 is sent to the billing department and Copy 3 is filed in the shipping department.

When the billing clerk receives Copy 2 from the warehouse, she pulls the other copies from the temporary file and completes the documents by adding prices, taxes, and freight charges. Then, using the department PC, the billing clerk records the sales in the digital sales journal, sending Copies 5 and 6 to the AR and inventory control departments, respectively.

Upon receipt of the documents from the billing clerk, the AR and inventory control clerks post the transactions to the AR Subsidiary and inventory subsidiary ledgers, respectively, using their department PCs. Each clerk then files the respective sales order copies in the department.

On the payment due date, the customer sends a check for the full amount and a copy of the bill (the remittance advice) to the company. These documents are received by the mailroom clerk who distributes them as follows:

- The check goes to the cash receipts clerk, who manually records it in the hard-copy cash receipts journal and prepares two deposit slips. One deposit slip and the check are sent to the bank; the other deposit slip is filed in the cash receipts department.
- The remittance advice is sent to the AR clerk, who posts to the digital subsidiary accounts and then files the document.

3. Control weaknesses and recommended safeguards:

The process flow was assessed, and the following weaknesses and risks exposures were identified.

Controls were recommended from ***COSO: Internal Control – Integrated Framework***

Identified Weaknesses	Risk Exposure	Recommended Controls
Manual Preparation of sales orders and multiples hard copies	Errors, omissions, unauthorised alterations	<ul style="list-style-type: none"> ○ Automate sales orders ○ Data validation checks
Physical sales order distribution across departments	Misplacement, unauthorized alterations	<ul style="list-style-type: none"> ○ Access controls with audit trails ○ Controlled document management
Manual pricing of, taxes, and freight calculation by billing clerk	Calculation errors, overbilling, underbilling customers	<ul style="list-style-type: none"> ○ Automate pricing, tax and freight calculations
Mailroom clerk handling both checks and remittance advice	Lack of duty segregation	<ul style="list-style-type: none"> ○ Implement segregation of duties
Lack of inventory verification after shipping	Inventory shrinkage	<ul style="list-style-type: none"> ○ Regular inventory checks and cycle counts ○ Use of automated inventory management systems